

FY 2011 OIG Audit Workplan

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**Audit and Oversight Committee
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Why is Audit Planning Important?

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- **Focus on the greatest risks to NSF**
- **Use our limited audit resources effectively**
- **and efficiently**



Development of Audit Workplan

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Inputs

- **Laws, e.g., American Recovery and Reinvestment Act of 2009 (ARRA)**
- **Congress**
- **NSF Management Challenges**
- **Suggestions from NSB and NSF**
- **OIG Risk Assessment**



Audit Planning Steps

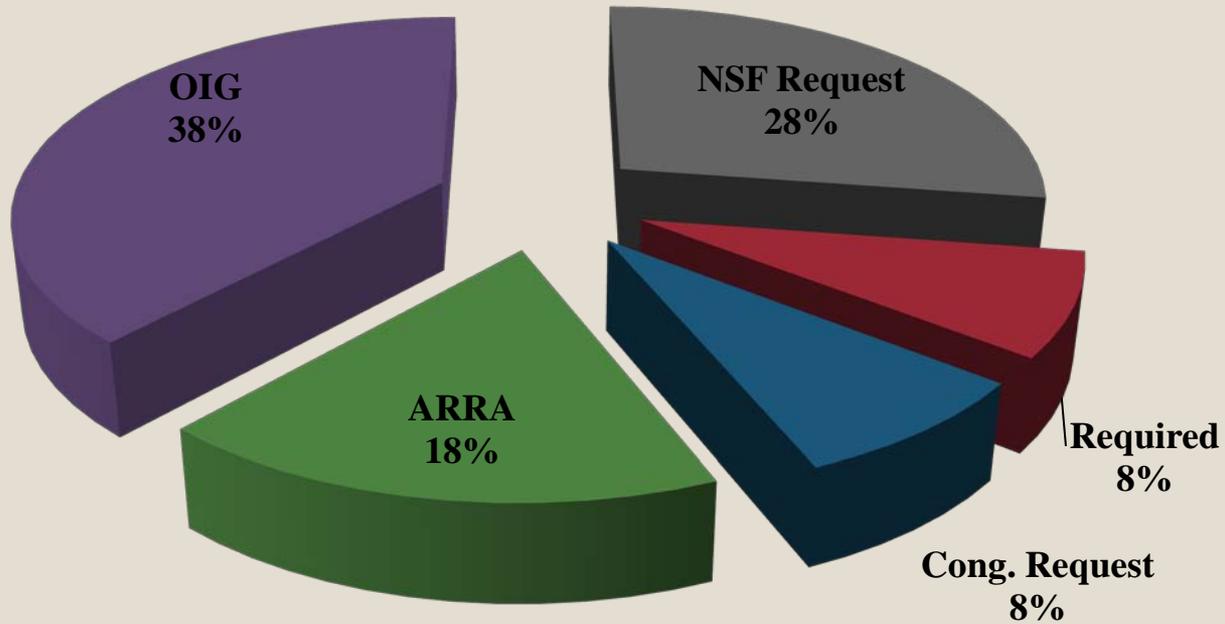
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- **Develop Inventory of Possible Audits**
- **Prioritize by High-Risk/High Impact**
- **Match Resources to Highest Priorities**



Distribution of Audit Work

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ARRA-Related Audits

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- **Major Research Equipment and Facilities Construction (MREFC) Projects: e.g., Advanced Technology Solar Telescope (ATST)**
- **Completion of Proactive Financial Capability/ARRA Reviews**
- **Academic Research Infrastructure (ARI)**
- **ARRA Components of Financial and Compliance Audits**



Program Reviews: Contingencies Example

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DCAA Found Unallowable Contingency Costs in NSF Awardees' Construction Budgets

Contributions to a contingency reserve or any similar provisions for events the occurrence of which cannot be foretold with certainty as to time, intensity, or assurance of their happening, are unallowable. (2 CFR Part 230, Contingency Provisions)

- **OOI:** DCAA questioned \$88 million of awardee's proposed \$386 million construction budget; \$34.2 million of the \$88 million questioned were ARRA funds.
- **ATST:** DCAA questioned \$62 million of awardee's proposed \$298 million construction budget; \$20.6 million of the \$62 million questioned were ARRA funds.
- **Need for OIG audit follow-up** because 12 cooperative agreements include more than \$300 million in proposed contingencies.



Preview of New Audit Planning Methodology

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Data Analytics and Automated Oversight

- **Examination of 100% of certain records to identify anomalies that could reveal misappropriation of assets or misuse of NSF funds**
- **Extraction of information from multiple databases, which increases probability of identifying high-risk awards or awardees**

Two goals

1. **Identify the highest risk institutions**
2. **Identify areas for audit at those institutions**



End to End Process for Grant Oversight

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SOLICITATIONS
PROPOSALS
PRE-AWARD
REVIEW
AWARD
CASH
REQUEST
PAY/
ENTITLEMENT
CASH
DISBURSEMENTS
POST AWARD
AWARD
CLOSE-OUT

PRE-AWARD RISKS

- Funding Over Time
- Conflict of Interest
- False Statements
- False Certifications
- Duplicate Funding
- Inflated Budgets
- Candidate
Suspended/Debarred

ACTIVE AWARD RISKS

- Unallowable, Unallocable, Unreasonable Costs
- Inadequate Documentation
- General Ledger Differs from Draw Amount
- Burn Rate
- No /Late/Inadequate Reports
- Sub-awards, Consultants, Contracts
- Duplicate Payments
- Excess Cash on Hand/Cost Transfers
- Unreported Program Income

AWARD END RISKS

- No /Late Final Reports
- Cost Transfers
- Spend-out
- Financial Adjustments
- Unmet Cost Share

DATA ANALYSIS



A Note About Audit Resolution

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- **Follow-up to an 2009 OIG audit on audit resolution: Joint OIG/NSF Working Group to determine root causes of problems in audit resolution process.**
- **Finding: Ineffective, adversarial, and overly formal relationship between NSF management and OIG = biggest obstacle to effective audit resolution.**
- **Outcome: New Audit Resolution policy and an on-going stewardship collaborative to monitor and improve the audit resolution process and address outstanding and new issues.**
- **Lessons learned:**
 - **Time spent uncovering root causes is invaluable**
 - **Importance of NSF and OIG leadership commitment**
 - **Importance of dedicating resources to develop new processes and make them work**
 - **Need for top-down and bottom-up participation**
 - **Importance of commitment to regular meetings to deal with issues**



Questions?

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